

## **RENEW YOUR REAL ESTATE LICENSE IN 3 EASY STEPS**

### STEP ONE

Study the manual at your own pace and complete the progress quizzes at the end of each section.

### STEP TWO

Transfer all your answers to the answer sheet at the front of the manual, complete the additional information on the answer sheet, then mail or fax the answer sheet in for grading.

### STEP THREE

After receiving your notification of successful completion of this course, and your additional needed hours, send your renewal fee to the state before your deadline.

A licensed instructor will be available during normal business hours if you have any questions regarding the course material. No assistance on the final exam questions and answers can be given. For assistance call: 423-232-1811 or email your questions to [admin@ddschoolofrealestate.com](mailto:admin@ddschoolofrealestate.com).

**Work at your own pace! Complete the course and send us your answers for grading. We do the rest. We will notify the state of your successful completion of the course. Thank you for using**

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**Ethics and Agency Relationships Today**  
**Articles One through Nine**  
**Code of Ethics of the National Association of**  
**Realtors®**

## **Preface**

An understanding of the basics of values, principles, ethical systems, decision-making and professional perspectives are the foundation we are building on to understand our own professional ethics, etiquette and communications.

The word *ethics* derives from the Greek *ethikos*, meaning moral, and *ethos*, meaning character. According to Webster, “ethics is the discipline dealing with what is good and bad and with moral duty and obligation. A set of moral principles or values”. In real estate, ethics reflect the rules of conduct recognized in certain associations or departments of our profession. When we discuss ethics we are not dealing with a set of hard rules or values but rather with subjective behavior. The golden rule provides us with a basic ethical test of conduct: “Do unto others as you would have them do unto you”.

Your success in real estate not only relies on your production of listings and sales but equally on your ethical meeting of the needs of others in your field and the clients and customers you may come in contact with. The first concern of a professional is to serve the public in a proper and ethical manner. When you succeed in this arena financial success will easily follow. Your ethics are yours alone. It applies to you and how you conduct yourself in the field. You cannot control the ethics of another nor is there a requirement in law that you do such. How your career evolves will be directly dependent on the way you conduct yourself ethically.

This course is designed to give you a better understanding of ethical values in real estate. We will cover basic ethical decision making, real estate ethics using the National Association of Realtors® Code of Ethics and then a more in depth discussion of ethics and agency relationships with clients and customers. Ethics goes much further than client and customer relations as the Code of Ethics parts 2 and 3 cover but we will concentrate on this first part of the code in this course.

# UNIT ONE

## ETHICS AND LAW

### Legal Versus Ethical: What's The Difference?

Ethics and legalities are two completely separate concepts. Ethics deals with 'right' and 'wrong'; laws are a set of *minimum* standards set by society to live by.

Political figures are constantly defending themselves and their actions by stating that they did nothing 'illegal'. Their actions may not have been 'illegal' but they certainly were 'unethical' or 'bordering on unethical' by the moral standards our country was founded on. It seems the legal standard our country tolerates is the bare minimum of the law. The ethical standards vary from area to area. Some acts of our leaders are accepted in one area and rejected in another. Again, ethics are *subjective*.

Motive is sometimes confused with ethical standards. "The ends justifies the means" may be the ethical standard of some while others feel the *path* to the completion is as important as the completion. Although staying within the law is necessary, just staying within the law is not the acceptable path for most; how you played the game still counts. In real estate, how you played the game, or how you got the sale or listing does count. We must follow ethical procedures to have a measure of success in our chosen field. When we become self-serving in our practices with no regard for ethical behavior, we are justifying the means. When we act for the good of those involved in the transaction, as well as to complete the transaction, we have practiced ethical behavior patterns.

As ethics change, laws also will change. Ethics precedes law. Take a moment to consider things in your life that are acceptable today

that perhaps were unacceptable and even illegal just a short time ago. A good example in real estate is in the representation of buyers and sellers in a transaction. In the 70's and early 80's the seller was represented and the practice of 'caveat emptor' (let the buyer beware) was standard practice. Today that practice is not only considered unethical but is illegal in most states.

So, there is a difference in legal and ethical practice. Ethical practices are a step past the minimum legal requirements. Make your career a model of ethical standards to be admired by your peers. Constant self-evaluation of your actions will assist you in assuring not only yourself, but also your clients, customers, and peers of the best possible service you can provide in the industry.

## **Ethical Decision-making and Moral Reasoning**

Our ethics will determine the decisions we make not only in our real estate careers but in our lives as well. Many have devoted their professional lives to the study of moral reasoning. Below are 6 general stages of moral reasoning.

1. *Might makes right*

Obedience to authority in order to avoid punishment is the most important value.

2. *Look out for number one*

Each person takes care of him or herself. The only reason to be nice to others is so they will be nice to you.

3. *Good girl, good boy*

Being good pleases other people and wins their praise. Approval is more important than a specific reward.

4. *Law and order*

Being good means being a dutiful citizen and obeying the laws set down by those in power.

5. *Social contract*

The rules of society exist for the benefit of all and are established by mutual agreement. However, if the rules become destructive or if one party doesn't live up to the agreement, the contract is no longer binding.

#### 6. Universal ethical principles

General universal principles determine right and wrong. These values are established by individual reflection and may contradict the egocentric or legal principles of earlier reasoning.

*Stage 1 level.* A person may respond "don't do it because it is wrong". *Stage 2 level.* A person may respond by justifying an action that is wrong because they are primarily concerned with their own needs. *Stage 3 level.* A person is concerned about what others think and would respond accordingly. *Stage 4 level.* A person might consider no matter how valuable a relationship is it would never obligate them to break the law. *Stage 5 level.* A person may believe there is some obligation to assist someone in dire need and if their action breaks the law then the law is not a just law. *Stage 6 level.* A person will take an action that demonstrates the greatest possible respect for the human rights of everyone and support a social system that protects those rights. We all don't always respond on the same level but we stay close to the level we are morally on. Development of our moral judgements develops into adulthood and maturity may cause us to progress through the different stages.

## **Ethical decision-making**

The path of decision-making follows certain steps. From beginning to end, ethics and morals play a large role in the decision-making process. Below are the steps to follow in decision-making.

1. Define the problem: Facts, assumptions, resources and advisors

2. Apply an ethical system: rules, social contract consequences, personal convictions
3. Reach an investigatory decision
4. Reach a final decision
5. Evaluate final decision

No one ethical philosophy can usually provide a complete response to an ethical dilemma. By considering all philosophies in the decision-making process we can better come to the best decision. By researching using the above philosophies the better decision may be reached. Your decision-making process should include researching the problem by looking through the lens of all six stages of moral reasoning to guide you to the final decision. Facts are always important. Assumptions must be recognized as assumptions, resources and advisors should always be listed and used to assist in discerning facts from assumptions.

Once a decision is reached, the process of evaluation of the outcomes of the decision and the possible consequences of the decision must be evaluated. The dilemma would hopefully be solved but it could also create a larger dilemma which would make the decision in need of further evaluation.

Applying your decisions to your real estate relationships happens every day in the real estate business. Agency relationships with sellers and buyers, relationships in the office and relationships with professionals in the field are just part of our everyday business. We will address agency relationships later in this discussion but first we need to look at the NAR REALTOR® code of ethics.

## **A code of ethics**

A good standard of ethical systems for the real estate industry is the National Association of Realtors® Code of Ethics. To better understand ethics in real estate we will look at The Code of Ethics and study its articles and some case studies pertaining to those articles. Below is a copy of the NAR Code of Ethics. The standards

of practice are included to assist you in understanding the Articles of the Code and how they are applied to our day-to-day business activities in the real estate profession. Following the code are some case studies to be considered. The following quiz will be based on the case studies.

## **Code of Ethics and Standards of Practice of the National Association of REALTORS® *Effective January 1, 2017***

### [Duties to Clients and Customers](#)

Articles 1-9

### [Duties to the Public](#)

Articles 10-14

### [Duties to REALTORS®](#)

Articles 15-17

Where the word REALTORS® is used in this Code and Preamble, it shall be deemed to include REALTOR-ASSOCIATE@s.

While the Code of Ethics establishes obligations that may be higher than those mandated by law, in any instance where the Code of Ethics and the law conflict, the obligations of the law must take precedence.

## **Preamble**

Under all is the land. Upon its wise utilization and widely allocated ownership depend the survival and growth of free institutions and of our civilization. REALTORS® should recognize that the interests of the nation and its citizens require the highest and best use of the land and the widest distribution of land ownership. They require the creation of adequate housing, the building of functioning cities, the development of productive industries and farms, and the preservation of a healthful environment.

Such interests impose obligations beyond those of ordinary commerce. They impose grave social responsibility and a patriotic duty to which REALTORS® should dedicate themselves, and for which they should be diligent in preparing themselves.

REALTORS®, therefore, are zealous to maintain and improve the standards of their calling and share with their fellow REALTORS® a common responsibility for its integrity and honor.

In recognition and appreciation of their obligations to clients, customers, the public, and each other, REALTORS® continuously strive to become and remain informed on issues affecting real estate and, as knowledgeable professionals, they willingly share the fruit of their experience and study with others. They identify and take steps, through enforcement of this Code of Ethics and by assisting appropriate regulatory bodies, to eliminate practices which may damage the public or which might discredit or bring dishonor to the real estate profession. REALTORS® having direct personal knowledge of conduct that may violate the Code of Ethics involving misappropriation of client or customer funds or property, willful discrimination, or fraud resulting in substantial



economic harm, bring such matters to the attention of the appropriate Board or Association of REALTORS®. *(Amended 1/00)*

Realizing that cooperation with other real estate professionals promotes the best interests of those who utilize their services, REALTORS® urge exclusive representation of clients; do not attempt to gain any unfair advantage over their competitors; and they refrain from making unsolicited comments about other practitioners. In instances where their opinion is sought, or where REALTORS® believe that comment is necessary, their opinion is offered in an objective, professional manner, uninfluenced by any personal motivation or potential advantage or gain.

The term REALTOR® has come to connote competency, fairness, and high integrity resulting from adherence to a lofty ideal of moral conduct in business relations. No inducement of profit and no instruction from clients ever can justify departure from this ideal.

In the interpretation of this obligation, REALTORS® can take no safer guide than that which has been handed down through the centuries, embodied in the Golden Rule, "Whatsoever ye would that others should do to you, do ye even so to them."

Accepting this standard as their own, REALTORS® pledge to observe its spirit in all of their activities whether conducted personally, through associates or others, or via technological means, and to conduct their business in accordance with the tenets set forth below. *(Amended 1/07)*

## Duties to Clients and Customers

**Article** When representing a buyer, seller, landlord, tenant, or other client as an agent, REALTORS® pledge themselves to protect and promote the interests of their client. This obligation to the client is primary, but it does not relieve REALTORS® of their obligation to treat all parties honestly. When serving a buyer, seller, landlord, tenant or other party in a non-agency capacity, REALTORS® remain obligated to treat all parties honestly. *(Amended 1/01)*

### Standard of Practice 1-1

REALTORS®, when acting as principals in a real estate transaction, remain obligated by the duties imposed by the Code of Ethics. *(Amended 1/93)*

- Standard of Practice 1-2

The duties imposed by the Code of Ethics encompass all real estate-related activities and transactions whether conducted in person, electronically, or through any other means.

The duties the Code of Ethics imposes are applicable whether REALTORS® are acting as Realtors® or in legally recognized non-agency capacities except that any duty imposed exclusively on Realtors® by law or regulation shall not be imposed by this Code of Ethics on REALTORS® acting in non-agency capacities.

As used in this Code of Ethics, "client" means the person(s) or entity(ies) with whom a REALTOR® or a REALTOR®'s firm has an agency or

legally recognized non-agency relationship; “customer” means a party to a real estate transaction who receives information, services, or benefits but has no contractual relationship with the REALTOR® or the REALTOR®’s firm; “prospect” means a purchaser, seller, tenant, or landlord who is not subject to a representation relationship with the REALTOR® or REALTOR®’s firm; “agent” means a real estate licensee (including brokers and sales associates) acting in an agency relationship as defined by state law or regulation; and “broker” means a real estate licensee (including brokers and sales associates) acting as an agent or in a legally recognized non-agency capacity. *(Adopted 1/95, Amended 1/07)*

- Standard of Practice 1-3  
REALTORS®, in attempting to secure a listing, shall not deliberately mislead the owner as to market value.
- Standard of Practice 1-4  
REALTORS®, when seeking to become a buyer/tenant representative, shall not mislead buyers or tenants as to savings or other benefits that might be realized through use of the REALTOR®’s services. *(Amended 1/93)*
- Standard of Practice 1-5  
REALTORS® may represent the seller/landlord and buyer/tenant in the same transaction only after full disclosure to and with informed consent of both parties. *(Adopted 1/93)*
- Standard of Practice 1-6  
REALTORS® shall submit offers and counter-offers objectively and as quickly as possible. *(Adopted 1/93, Amended 1/95)*
- Standard of Practice 1-7  
When acting as listing brokers, REALTORS® shall continue to submit to the seller/landlord all offers and counter-offers until closing or execution of a lease unless the seller/landlord has waived this obligation in writing. REALTORS® shall not be obligated to continue to market the property after an offer has been accepted by the seller/landlord. REALTORS® shall recommend that sellers/landlords obtain the advice of legal counsel prior to acceptance of a subsequent offer except where the acceptance is contingent on the termination of the pre-existing purchase contract or lease. *(Amended 1/93)*
- Standard of Practice 1-8  
REALTORS®, acting as Realtors® or brokers of buyers/tenants, shall submit to buyers/tenants all offers and counter-offers until acceptance but have no obligation to continue to show properties to their clients after an offer has been accepted unless otherwise agreed in writing. REALTORS®, acting as Realtors® or brokers of buyers/tenants, shall recommend that buyers/tenants obtain the advice of legal counsel if there is a question as to whether a pre-existing contract has been terminated. *(Adopted 1/93, Amended 1/99)*
- Standard of Practice 1-9

The obligation of REALTORS® to preserve confidential information (as defined by state law) provided by their clients in the course of any agency relationship or non-agency relationship recognized by law continues after termination of agency relationships or any non-agency relationships recognized by law. REALTORS® shall not knowingly, during or following the termination of professional relationships with their clients:

1. reveal confidential information of clients; or
2. use confidential information of clients to the disadvantage of clients; or
3. use confidential information of clients for the REALTOR®'s advantage or the advantage of third parties unless:
  - a) clients consent after full disclosure; or
  - b) REALTORS® are required by court order; or
  - c) it is the intention of a client to commit a crime and the information is necessary to prevent the crime; or
  - d) it is necessary to defend a REALTOR® or the REALTOR®'s employees or associates against an accusation of wrongful conduct.

Information concerning latent material defects is not considered confidential information under this Code of Ethics. *(Adopted 1/93, Amended 1/01)*

- Standard of Practice 1-10

REALTORS® shall, consistent with the terms and conditions of their real estate licensure and their property management agreement, competently manage the property of clients with due regard for the rights, safety and health of tenants and others lawfully on the premises. *(Adopted 1/95, Amended 1/00)*

- Standard of Practice 1-11

REALTORS® who are employed to maintain or manage a client's property shall exercise due diligence and make reasonable efforts to protect it against reasonably foreseeable contingencies and losses. *(Adopted 1/95)*

- Standard of Practice 1-12

When entering into listing contracts, REALTORS® must advise sellers/landlords of:

1. the REALTOR®'s company policies regarding cooperation and the amount(s) of any compensation that will be offered to subRealtors®, buyer/tenant Realtors®, and/or brokers acting in legally recognized non-agency capacities;
2. the fact that buyer/tenant Realtors® or brokers, even if compensated by listing brokers, or by sellers/landlords may represent the interests of buyers/tenants; and
3. any potential for listing brokers to act as disclosed dual Realtors®, e.g. buyer/tenant Realtors®. *(Adopted 1/93, Renumbered 1/98, Amended 1/03)*

- Standard of Practice 1-13

When entering into buyer/tenant agreements, REALTORS® must advise potential clients of:

1. the REALTOR®'s company policies regarding cooperation;

2. the amount of compensation to be paid by the client;
3. the potential for additional or offsetting compensation from other brokers, from the seller or landlord, or from other parties;
4. any potential for the buyer/tenant representative to act as a disclosed dual agent, e.g. listing broker, subagent, landlord's agent, etc., and
5. the possibility that sellers or sellers' representatives may not treat the existence, terms, or conditions of offers as confidential unless confidentiality is required by law, regulation, or by any confidentiality agreement between the parties. *(Adopted 1/93, Renumbered 1/98, Amended 1/06)*

- Standard of Practice 1-14  
Fees for preparing appraisals or other valuations shall not be contingent upon the amount of the appraisal or valuation. *(Adopted 1/02)*
- Standard of Practice 1-15  
REALTORS®, in response to inquiries from buyers or cooperating brokers shall, with the sellers' approval, disclose the existence of offers on the property. Where disclosure is authorized, REALTORS® shall also disclose, if asked, whether offers were obtained by the listing licensee, another licensee in the listing firm, or by a cooperating broker. *(Adopted 1/03, Amended 1/09)*
- Standard of Practice 1-16  
REALTORS® shall not use, or permit or enable others to use, listed or managed property on terms or conditions other than those authorized by the owner or seller. *(Adopted 1/12)*

## **Article 2**

REALTORS® shall avoid exaggeration, misrepresentation, or concealment of pertinent facts relating to the property or the transaction. REALTORS® shall not, however, be obligated to discover latent defects in the property, to advise on matters outside the scope of their real estate license, or to disclose facts which are confidential under the scope of agency or non-agency relationships as defined by state law. *(Amended 1/00)]*

- Standard of Practice 2-1  
REALTORS® shall only be obligated to discover and disclose adverse factors reasonably apparent to someone with expertise in those areas required by their real estate licensing authority. Article 2 does not impose upon the REALTOR® the obligation of expertise in other professional or technical disciplines. *(Amended 1/96)*
- Standard of Practice 2-2  
*(Renumbered as Standard of Practice 1-12 1/98)*
- Standard of Practice 2-3  
*(Renumbered as Standard of Practice 1-13 1/98)*
- Standard of Practice 2-4

REALTORS® shall not be parties to the naming of a false consideration in any document, unless it be the naming of an obviously nominal consideration.

- Standard of Practice 2-5

Factors defined as “non-material” by law or regulation or which are expressly referenced in law or regulation as not being subject to disclosure are considered not “pertinent” for purposes of Article 2. *(Adopted 1/93)*

### **Article 3**

REALTORS® shall cooperate with other brokers except when cooperation is not in the client’s best interest. The obligation to cooperate does not include the obligation to share commissions, fees, or to otherwise compensate another broker. *(Amended 1/95)*

- Standard of Practice 3-1

REALTORS®, acting as exclusive Realtors® or brokers of sellers/ landlords, establish the terms and conditions of offers to cooperate. Unless expressly indicated in offers to cooperate, cooperating brokers may not assume that the offer of cooperation includes an offer of compensation. Terms of compensation, if any, shall be ascertained by cooperating brokers before beginning efforts to accept the offer of cooperation. *(Amended 1/99)*

- Standard of Practice 3-2

Any change in compensation offered for cooperative services must be communicated to the other REALTOR® prior to the time that REALTOR® submits an offer to purchase/lease the property. After a REALTOR® has submitted an offer to purchase or lease property, the listing broker may not attempt to unilaterally modify the offered compensation with respect to that cooperative transaction. *(Amended 1/14)*

- Standard of Practice 3-3

Standard of Practice 3-2 does not preclude the listing broker and cooperating broker from entering into an agreement to change cooperative compensation. *(Adopted 1/94)*

- Standard of Practice 3-4

REALTORS®, acting as listing brokers, have an affirmative obligation to disclose the existence of dual or variable rate commission arrangements (i.e., listings where one amount of commission is payable if the listing broker’s firm is the procuring cause of sale/lease and a different amount of commission is payable if the sale/lease results through the efforts of the seller/ landlord or a cooperating broker). The listing broker shall, as soon as practical, disclose the existence of such arrangements to potential cooperating brokers and shall, in response to inquiries from cooperating brokers, disclose the differential that would result in a cooperative transaction or in a sale/lease that results through the efforts

of the seller/landlord. If the cooperating broker is a buyer/tenant representative, the buyer/tenant representative must disclose such information to their client before the client makes an offer to purchase or lease. *(Amended 1/02)*

- Standard of Practice 3-5  
It is the obligation of subRealtors® to promptly disclose all pertinent facts to the principal's agent prior to as well as after a purchase or lease agreement is executed. *(Amended 1/93)*
  
- Standard of Practice 3-6  
REALTORS® shall disclose the existence of accepted offers, including offers with unresolved contingencies, to any broker seeking cooperation. *(Adopted 5/86, Amended 1/04)*
- Standard of Practice 3-7  
When seeking information from another REALTOR® concerning property under a management or listing agreement, REALTORS® shall disclose their REALTOR® status and whether their interest is personal or on behalf of a client and, if on behalf of a client, their relationship with the client. *(Amended 1/11)*
- Standard of Practice 3-8  
REALTORS® shall not misrepresent the availability of access to show or inspect a listed property. *(Amended 11/87)*
- Standard of Practice 3-9  
REALTORS® shall not provide access to listed property on terms other than those established by the owner or the listing broker. *(Adopted 1/10)*
- Standard of Practice 3-10  
The duty to cooperate established in Article 3 relates to the obligation to share information on listed property, and to make property available to other brokers for showing to prospective purchasers/tenants when it is in the best interests of sellers/landlords. *(Adopted 1/11)*

#### **Article 4**

REALTORS® shall not acquire an interest in or buy or present offers from themselves, any member of their immediate families, their firms or any member thereof, or any entities in which they have any ownership interest, any real property without making their true position known to the owner or the owner's agent or broker. In selling property they own, or in which they have any interest, REALTORS® shall reveal their ownership or interest in writing to the purchaser or the purchaser's representative. *(Amended 1/00)*

- Standard of Practice 4-1  
For the protection of all parties, the disclosures required by Article 4 shall be in writing and provided by REALTORS® prior to the signing of any contract. *(Adopted 2/86)*

### **Article 5 .**

REALTORS® shall not undertake to provide professional services concerning a property or its value where they have a present or contemplated interest unless such interest is specifically disclosed to all affected parties.

### **Article 6**

REALTORS® shall not accept any commission, rebate, or profit on expenditures made for their client, without the client's knowledge and consent.

When recommending real estate products or services (e.g., homeowner's insurance, warranty programs, mortgage financing, title insurance, etc.), REALTORS® shall disclose to the client or customer to whom the recommendation is made any financial benefits or fees, other than real estate referral fees, the REALTOR® or REALTOR®'s firm may receive as a direct result of such recommendation. *(Amended 1/99)*

#### Standard of Practice 6-1

REALTORS® shall not recommend or suggest to a client or a customer the use of services of another organization or business entity in which they have a direct interest without disclosing such interest at the time of the recommendation or suggestion. *(Amended 5/88)*

### **Article 7**

In a transaction, REALTORS® shall not accept compensation from more than one party, even if permitted by law, without disclosure to all parties and the informed consent of the REALTOR®'s client or clients. *(Amended 1/93)*

### **Article 8**

REALTORS® shall keep in a special account in an appropriate financial institution, separated from their own funds, monies coming into their possession in trust for other persons, such as escrows, trust funds, clients' monies, and other like items.

### **Article 9**

REALTORS®, for the protection of all parties, shall assure whenever possible that all agreements related to real estate transactions including, but not limited to, listing and representation agreements, purchase contracts, and leases are in writing in clear and understandable language expressing the specific terms, conditions, obligations and commitments of the parties. A copy of each agreement shall be furnished to each party to such agreements upon their signing or initialing. *(Amended 1/04)*

#### Standard of Practice 9-1

For the protection of all parties, REALTORS® shall use reasonable care to ensure that documents pertaining to the purchase, sale, or lease of real estate are kept current through the use of written extensions or amendments. *(Amended 1/93)*

- Standard of Practice 9-2

When assisting or enabling a client or customer in establishing a contractual relationship (e.g., listing and representation agreements, purchase agreements, leases, etc.) electronically, REALTORS® shall make reasonable efforts to explain the nature and disclose the specific terms of the contractual relationship being established prior to it being agreed to by a contracting party. *(Adopted 1/07)*

## Duties to the Public

### Article 10

REALTORS® shall not deny equal professional services to any person for reasons of race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity. REALTORS® shall not be parties to any plan or agreement to discriminate against a person or persons on the basis of race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity.

*(Amended 1/14)*

REALTORS®, in their real estate employment practices, shall not discriminate against any person or persons on the basis of race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity. *(Amended 1/14)*

- Standard of Practice 10-1

When involved in the sale or lease of a residence, REALTORS® shall not volunteer information regarding the racial, religious or ethnic composition of any neighborhood nor shall they engage in any activity which may result in panic selling, however, REALTORS® may provide other demographic information. *(Adopted 1/94, Amended 1/06)*

- Standard of Practice 10-2

When not involved in the sale or lease of a residence, REALTORS® may provide demographic information related to a property, transaction or professional assignment to a party if such demographic information is (a) deemed by the REALTOR® to be needed to assist with or complete, in a manner consistent with Article 10, a real estate transaction or professional assignment and (b) is obtained or derived from a recognized, reliable, independent, and impartial source. The source of such information and any additions, deletions, modifications, interpretations, or other changes shall be disclosed in reasonable detail. *(Adopted 1/05, Renumbered 1/06)*

- Standard of Practice 10-3

REALTORS® shall not print, display or circulate any statement or advertisement with respect to selling or renting of a property that indicates any preference, limitations or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity. *(Adopted 1/94, Renumbered 1/05 and 1/06, Amended 1/14)*

- Standard of Practice 10-4



As used in Article 10 “real estate employment practices” relates to employees and independent contractors providing real estate-related services and the administrative and clerical staff directly supporting those individuals. (*Adopted 1/00, Renumbered 1/05 and 1/06*)

### **Article 11**

The services which REALTORS® provide to their clients and customers shall conform to the standards of practice and competence which are reasonably expected in the specific real estate disciplines in which they engage; specifically, residential real estate brokerage, real property management, commercial and industrial real estate brokerage, land brokerage, real estate appraisal, real estate counseling, real estate syndication, real estate auction, and international real estate.

REALTORS® shall not undertake to provide specialized professional services concerning a type of property or service that is outside their field of competence unless they engage the assistance of one who is competent on such types of property or service, or unless the facts are fully disclosed to the client. Any persons engaged to provide such assistance shall be so identified to the client and their contribution to the assignment should be set forth. (*Amended 1/10*)

- Standard of Practice 11-1

When REALTORS® prepare opinions of real property value or price they must:

1. be knowledgeable about the type of property being valued,
2. have access to the information and resources necessary to formulate an accurate opinion, and
3. be familiar with the area where the subject property is located

unless lack of any of these is disclosed to the party requesting the opinion in advance.

When an opinion of value or price is prepared other than in pursuit of a listing or to assist a potential purchaser in formulating a purchase offer, the opinion shall include the following unless the party requesting the opinion requires a specific type of report or different data set:

1. identification of the subject property
2. date prepared
3. defined value or price
4. limiting conditions, including statements of purpose(s) and intended user(s)
5. any present or contemplated interest, including the possibility of representing the seller/landlord or buyers/tenants
6. basis for the opinion, including applicable market data
7. if the opinion is not an appraisal, a statement to that effect
8. disclosure of whether and when a physical inspection of the property's exterior was conducted
9. disclosure of whether and when a physical inspection of the property's interior was conducted
10. disclosure of whether the REALTOR® has any conflicts of interest

(*Amended 1/14*)

- Standard of Practice 11-2

The obligations of the Code of Ethics in respect of real estate disciplines other than appraisal shall be interpreted and applied in accordance with the standards of competence and practice which clients and the public reasonably require to protect their rights and interests considering the complexity of the transaction, the availability of expert assistance, and, where the REALTOR® is an agent or subagent, the obligations of a fiduciary. *(Adopted 1/95)*

- Standard of Practice 11-3  
When REALTORS® provide consultive services to clients which involve advice or counsel for a fee (not a commission), such advice shall be rendered in an objective manner and the fee shall not be contingent on the substance of the advice or counsel given. If brokerage or transaction services are to be provided in addition to consultive services, a separate compensation may be paid with prior agreement between the client and REALTOR®. *(Adopted 1/96)*
- Standard of Practice 11-4  
The competency required by Article 11 relates to services contracted for between REALTORS® and their clients or customers; the duties expressly imposed by the Code of Ethics; and the duties imposed by law or regulation. *(Adopted 1/02)*.

## **Article 12**

REALTORS® shall be honest and truthful in their real estate communications and shall present a true picture in their advertising, marketing, and other representations. REALTORS® shall ensure that their status as real estate professionals is readily apparent in their advertising, marketing, and other representations, and that the recipients of all real estate communications are, or have been, notified that those communications are from a real estate professional. *(Amended 1/08)*

- Standard of Practice 12-1  
REALTORS® may use the term “free” and similar terms in their advertising and in other representations provided that all terms governing availability of the offered product or service are clearly disclosed at the same time. *(Amended 1/97)*
- Standard of Practice 12-2  
REALTORS® may represent their services as “free” or without cost even if they expect to receive compensation from a source other than their client provided that the potential for the REALTOR® to obtain a benefit from a third party is clearly disclosed at the same time. *(Amended 1/97)*
- Standard of Practice 12-3  
The offering of premiums, prizes, merchandise discounts or other inducements to list, sell, purchase, or lease is not, in itself, unethical even if receipt of the benefit is contingent on listing, selling, purchasing, or

leasing through the REALTOR® making the offer. However, REALTORS® must exercise care and candor in any such advertising or other public or private representations so that any party interested in receiving or otherwise benefiting from the REALTOR®'s offer will have clear, thorough, advance understanding of all the terms and conditions of the offer. The offering of any inducements to do business is subject to the limitations and restrictions of state law and the ethical obligations established by any applicable Standard of Practice. *(Amended 1/95)*

- Standard of Practice 12-4  
REALTORS® shall not offer for sale/lease or advertise property without authority. When acting as listing brokers or as subRealtors®, REALTORS® shall not quote a price different from that agreed upon with the seller/landlord. *(Amended 1/93)*
- Standard of Practice 12-5  
Realtors® shall not advertise nor permit any person employed by or affiliated with them to advertise real estate services or listed property in any medium (e.g., electronically, print, radio, television, etc.) without disclosing the name of that Realtor®'s firm in a reasonable and readily apparent manner either in the advertisement or in electronic advertising via a link to a display with all required disclosures. *(Adopted 11/86, Amended 1/16)*
- Standard of Practice 12-6  
REALTORS®, when advertising unlisted real property for sale/lease in which they have an ownership interest, shall disclose their status as both owners/landlords and as REALTORS® or real estate licensees. *(Amended 1/93)*
- Standard of Practice 12-7  
Only REALTORS® who participated in the transaction as the listing broker or cooperating broker (selling broker) may claim to have "sold" the property. Prior to closing, a cooperating broker may post a "sold" sign only with the consent of the listing broker. *(Amended 1/96)*
- Standard of Practice 12-8  
The obligation to present a true picture in representations to the public includes information presented, provided, or displayed on REALTORS®' websites. REALTORS® shall use reasonable efforts to ensure that information on their websites is current. When it becomes apparent that information on a REALTOR®'s website is no longer current or accurate, REALTORS® shall promptly take corrective action. *(Adopted 1/07)*
- Standard of Practice 12-9  
REALTOR® firm websites shall disclose the firm's name and state(s) of licensure in a reasonable and readily apparent manner.  
Websites of REALTORS® and non-member licensees affiliated with a REALTOR® firm shall disclose the firm's name and that REALTOR®'s or non-member licensee's state(s) of licensure in a reasonable and readily apparent manner. *(Adopted 1/07)*
- Standard of Practice 12-10

REALTORS®' obligation to present a true picture in their advertising and representations to the public includes Internet content posted, and the URLs and domain names they use, and prohibits REALTORS® from:

1. engaging in deceptive or unauthorized framing of real estate brokerage websites;
2. manipulating (e.g., presenting content developed by others) listing and other content in any way that produces a deceptive or misleading result;
3. deceptively using metatags, keywords or other devices/methods to direct, drive, or divert Internet traffic; or
4. presenting content developed by others without either attribution or without permission, or
5. to otherwise mislead consumers. *(Adopted 1/07, Amended 1/13)*

- Standard of Practice 12-11

REALTORS® intending to share or sell consumer information gathered via the Internet shall disclose that possibility in a reasonable and readily apparent manner. *(Adopted 1/07)*

- Standard of Practice 12-12

REALTORS® shall not:

1. use URLs or domain names that present less than a true picture, or
2. register URLs or domain names which, if used, would present less than a true picture. *(Adopted 1/08)*

- Standard of Practice 12-13

The obligation to present a true picture in advertising, marketing, and representations allows REALTORS® to use and display only professional designations, certifications, and other credentials to which they are legitimately entitled. *(Adopted 1/08)*

### **Article 13**

REALTORS® shall not engage in activities that constitute the unauthorized practice of law and shall recommend that legal counsel be obtained when the interest of any party to the transaction requires it.

### **Article 14**

If charged with unethical practice or asked to present evidence or to cooperate in any other way, in any professional standards proceeding or investigation, REALTORS® shall place all pertinent facts before the proper tribunals of the Member Board or affiliated institute, society, or council in which membership is held and shall take no action to disrupt or obstruct such processes. *(Amended 1/99)* [\[listen\]](#)

- Standard of Practice 14-1

REALTORS® shall not be subject to disciplinary proceedings in more than one Board of REALTORS® or affiliated institute, society or council in which they hold membership with respect to alleged violations of the Code of Ethics relating to the same transaction or event. *(Amended 1/95)*

- Standard of Practice 14-2  
REALTORS® shall not make any unauthorized disclosure or dissemination of the allegations, findings, or decision developed in connection with an ethics hearing or appeal or in connection with an arbitration hearing or procedural review. *(Amended 1/92)*
- Standard of Practice 14-3  
REALTORS® shall not obstruct the Board's investigative or professional standards proceedings by instituting or threatening to institute actions for libel, slander or defamation against any party to a professional standards proceeding or their witnesses based on the filing of an arbitration request, an ethics complaint, or testimony given before any tribunal. *(Adopted 11/87, Amended 1/99)*
- Standard of Practice 14-4  
REALTORS® shall not intentionally impede the Board's investigative or disciplinary proceedings by filing multiple ethics complaints based on the same event or transaction. *(Adopted 11/88)*

## Duties to REALTORS®

### Article 15

REALTORS® shall not knowingly or recklessly make false or misleading statements about other real estate professionals, their businesses, or their business practices. *(Amended 1/12)*

- Standard of Practice 15-1  
REALTORS® shall not knowingly or recklessly file false or unfounded ethics complaints. *(Adopted 1/00)*
- Standard of Practice 15-2  
The obligation to refrain from making false or misleading statements about other real estate professionals, their businesses and their business practices includes the duty to not knowingly or recklessly publish, repeat, retransmit, or republish false or misleading statements made by others. This duty applies whether false or misleading statements are repeated in person, in writing, by technological means (e.g., the Internet), or by any other means. *(Adopted 1/07, Amended 1/12)*
- Standard of Practice 15-3  
The obligation to refrain from making false or misleading statements about other real estate professionals, their businesses, and their business practices includes the duty to publish a clarification about or to remove statements made by others on electronic media the REALTOR® controls once the REALTOR® knows the statement is false or misleading. *(Adopted 1/10, Amended 1/12)*

## Article 16

REALTORS® shall not engage in any practice or take any action inconsistent with exclusive representation or exclusive brokerage relationship agreements that other REALTORS® have with clients. *(Amended 1/04)*

- Standard of Practice 16-1  
Article 16 is not intended to prohibit aggressive or innovative business practices which are otherwise ethical and does not prohibit disagreements with other REALTORS® involving commission, fees, compensation or other forms of payment or expenses. *(Adopted 1/93, Amended 1/95)*
- Standard of Practice 16-2  
Article 16 does not preclude REALTORS® from making general announcements to prospects describing their services and the terms of their availability even though some recipients may have entered into agency agreements or other exclusive relationships with another REALTOR®. A general telephone canvass, general mailing or distribution addressed to all prospects in a given geographical area or in a given profession, business, club, or organization, or other classification or group is deemed “general” for purposes of this standard. *(Amended 1/04)*  
Article 16 is intended to recognize as unethical two basic types of solicitations:  
First, telephone or personal solicitations of property owners who have been identified by a real estate sign, multiple listing compilation, or other information service as having exclusively listed their property with another REALTOR®, and  
Second, mail or other forms of written solicitations of prospects whose properties are exclusively listed with another REALTOR® when such solicitations are not part of a general mailing but are directed specifically to property owners identified through compilations of current listings, “for sale” or “for rent” signs, or other sources of information required by Article 3 and Multiple Listing Service rules to be made available to other REALTORS® under offers of subagency or cooperation. *(Amended 1/04)*
- Standard of Practice 16-3  
Article 16 does not preclude REALTORS® from contacting the client of another broker for the purpose of offering to provide, or entering into a contract to provide, a different type of real estate service unrelated to the type of service currently being provided (e.g., property management as opposed to brokerage) or from offering the same type of service for property not subject to other brokers’ exclusive agreements. However, information received through a Multiple Listing Service or any other offer of cooperation may not be used to target clients of other REALTORS® to whom such offers to provide services may be made. *(Amended 1/04)*
- Standard of Practice 16-4  
REALTORS® shall not solicit a listing which is currently listed exclusively with another broker. However, if the listing broker, when asked by the

REALTOR®, refuses to disclose the expiration date and nature of such listing; i.e., an exclusive right to sell, an exclusive agency, open listing, or other form of contractual agreement between the listing broker and the client, the REALTOR® may contact the owner to secure such information and may discuss the terms upon which the REALTOR® might take a future listing or, alternatively, may take a listing to become effective upon expiration of any existing exclusive listing. *(Amended 1/94)*

- Standard of Practice 16-5  
REALTORS® shall not solicit buyer/tenant agreements from buyers/tenants who are subject to exclusive buyer/tenant agreements. However, if asked by a REALTOR®, the broker refuses to disclose the expiration date of the exclusive buyer/tenant agreement, the REALTOR® may contact the buyer/tenant to secure such information and may discuss the terms upon which the REALTOR® might enter into a future buyer/tenant agreement or, alternatively, may enter into a buyer/tenant agreement to become effective upon the expiration of any existing exclusive buyer/tenant agreement. *(Adopted 1/94, Amended 1/98)*
- Standard of Practice 16-6  
When REALTORS® are contacted by the client of another REALTOR® regarding the creation of an exclusive relationship to provide the same type of service, and REALTORS® have not directly or indirectly initiated such discussions, they may discuss the terms upon which they might enter into a future agreement or, alternatively, may enter into an agreement which becomes effective upon expiration of any existing exclusive agreement. *(Amended 1/98)*
- Standard of Practice 16-7  
The fact that a prospect has retained a REALTOR® as an exclusive representative or exclusive broker in one or more past transactions does not preclude other REALTORS® from seeking such prospect's future business. *(Amended 1/04)*
- Standard of Practice 16-8  
The fact that an exclusive agreement has been entered into with a REALTOR® shall not preclude or inhibit any other REALTOR® from entering into a similar agreement after the expiration of the prior agreement. *(Amended 1/98)*
- Standard of Practice 16-9  
REALTORS®, prior to entering into a representation agreement, have an affirmative obligation to make reasonable efforts to determine whether the prospect is subject to a current, valid exclusive agreement to provide the same type of real estate service. *(Amended 1/04)*
- Standard of Practice 16-10  
REALTORS®, acting as buyer or tenant representatives or brokers, shall disclose that relationship to the seller/landlord's representative or broker at first contact and shall provide written confirmation of that disclosure to the seller/landlord's representative or broker not later than execution of a purchase agreement or lease. *(Amended 1/04)*

- Standard of Practice 16-11  
On unlisted property, REALTORS® acting as buyer/tenant representatives or brokers shall disclose that relationship to the seller/landlord at first contact for that buyer/tenant and shall provide written confirmation of such disclosure to the seller/landlord not later than execution of any purchase or lease agreement. *(Amended 1/04)*  
REALTORS® shall make any request for anticipated compensation from the seller/ landlord at first contact. *(Amended 1/98)*
- Standard of Practice 16-12  
REALTORS®, acting as representatives or brokers of sellers/landlords or as subRealtors® of listing brokers, shall disclose that relationship to buyers/tenants as soon as practicable and shall provide written confirmation of such disclosure to buyers/tenants not later than execution of any purchase or lease agreement. *(Amended 1/04)*
- Standard of Practice 16-13  
All dealings concerning property exclusively listed, or with buyer/tenants who are subject to an exclusive agreement shall be carried on with the client's representative or broker, and not with the client, except with the consent of the client's representative or broker or except where such dealings are initiated by the client.  
Before providing substantive services (such as writing a purchase offer or presenting a CMA) to prospects, REALTORS® shall ask prospects whether they are a party to any exclusive representation agreement. REALTORS® shall not knowingly provide substantive services concerning a prospective transaction to prospects who are parties to exclusive representation agreements, except with the consent of the prospects' exclusive representatives or at the direction of prospects. *(Adopted 1/93, Amended 1/04)*
- Standard of Practice 16-14  
REALTORS® are free to enter into contractual relationships or to negotiate with sellers/ landlords, buyers/tenants or others who are not subject to an exclusive agreement but shall not knowingly obligate them to pay more than one commission except with their informed consent. *(Amended 1/98)*
- Standard of Practice 16-15  
In cooperative transactions REALTORS® shall compensate cooperating REALTORS® (principal brokers) and shall not compensate nor offer to compensate, directly or indirectly, any of the sales licensees employed by or affiliated with other REALTORS® without the prior express knowledge and consent of the cooperating broker.
- Standard of Practice 16-16  
REALTORS®, acting as subRealtors® or buyer/tenant representatives or brokers, shall not use the terms of an offer to purchase/lease to attempt to modify the listing broker's offer of compensation to subRealtors® or buyer/tenant representatives or brokers nor make the submission of an



executed offer to purchase/lease contingent on the listing broker's agreement to modify the offer of compensation. *(Amended 1/04)*

- Standard of Practice 16-17  
REALTORS®, acting as subRealtors® or as buyer/tenant representatives or brokers, shall not attempt to extend a listing broker's offer of cooperation and/or compensation to other brokers without the consent of the listing broker. *(Amended 1/04)*
- Standard of Practice 16-18  
REALTORS® shall not use information obtained from listing brokers through offers to cooperate made through multiple listing services or through other offers of cooperation to refer listing brokers' clients to other brokers or to create buyer/tenant relationships with listing brokers' clients, unless such use is authorized by listing brokers. *(Amended 1/02)*
- Standard of Practice 16-19  
Signs giving notice of property for sale, rent, lease, or exchange shall not be placed on property without consent of the seller/landlord. *(Amended 1/93)*
- Standard of Practice 16-20  
REALTORS®, prior to or after their relationship with their current firm is terminated, shall not induce clients of their current firm to cancel exclusive contractual agreements between the client and that firm. This does not preclude REALTORS® (principals) from establishing agreements with their associated licensees governing assignability of exclusive agreements. *(Adopted 1/98, Amended 1/10)*

## Article 17

In the event of contractual disputes or specific non-contractual disputes as defined in Standard of Practice 17-4 between REALTORS® (principals) associated with different firms, arising out of their relationship as REALTORS®, the REALTORS® shall mediate the dispute if the Board requires its members to mediate. If the dispute is not resolved through mediation, or if mediation is not required, REALTORS® shall submit the dispute to arbitration in accordance with the policies of their Board rather than litigate the matter.

In the event clients of REALTORS® wish to mediate or arbitrate contractual disputes arising out of real estate transactions, REALTORS® shall mediate or arbitrate those disputes in accordance with the policies of the Board, provided the clients agree to be bound by any resulting agreement or award.

The obligation to participate in mediation or arbitration contemplated by this Article includes the obligation of REALTORS® (principals) to cause their firms to mediate or arbitrate and be bound by any resulting agreement or award. *(Amended 1/12)*

- Standard of Practice 17-1  
The filing of litigation and refusal to withdraw from it by REALTORS® in an arbitrable matter constitutes a refusal to arbitrate. *(Adopted 2/86)*
- Standard of Practice 17-2

Article 17 does not require REALTORS® to mediate in those circumstances when all parties to the dispute advise the Board in writing that they choose not to mediate through the Board's facilities. The fact that all parties decline to participate in mediation does not relieve REALTORS® of the duty to arbitrate.

Article 17 does not require REALTORS® to arbitrate in those circumstances when all parties to the dispute advise the Board in writing that they choose not to arbitrate before the Board. *(Amended 1/12)*

- Standard of Practice 17-3  
REALTORS®, when acting solely as principals in a real estate transaction, are not obligated to arbitrate disputes with other REALTORS® absent a specific written agreement to the contrary. *(Adopted 1/96)*
- Standard of Practice 17-4  
Specific non-contractual disputes that are subject to arbitration pursuant to Article 17 are:
  1. Where a listing broker has compensated a cooperating broker and another cooperating broker subsequently claims to be the procuring cause of the sale or lease. In such cases the complainant may name the first cooperating broker as respondent and arbitration may proceed without the listing broker being named as a respondent. When arbitration occurs between two (or more) cooperating brokers and where the listing broker is not a party, the amount in dispute and the amount of any potential resulting award is limited to the amount paid to the respondent by the listing broker and any amount credited or paid to a party to the transaction at the direction of the respondent. Alternatively, if the complaint is brought against the listing broker, the listing broker may name the first cooperating broker as a third-party respondent. In either instance the decision of the hearing panel as to procuring cause shall be conclusive with respect to all current or subsequent claims of the parties for compensation arising out of the underlying cooperative transaction. *(Adopted 1/97, Amended 1/07)*
  2. Where a buyer or tenant representative is compensated by the seller or landlord, and not by the listing broker, and the listing broker, as a result, reduces the commission owed by the seller or landlord and, subsequent to such actions, another cooperating broker claims to be the procuring cause of sale or lease. In such cases the complainant may name the first cooperating broker as respondent and arbitration may proceed without the listing broker being named as a respondent. When arbitration occurs between two (or more) cooperating brokers and where the listing broker is not a party, the amount in dispute and the amount of any potential resulting award is limited to the amount paid to the respondent by the seller or landlord and any amount credited or paid to a party to the transaction at the direction of the respondent. Alternatively, if the complaint is brought against the listing broker, the listing broker may name the first cooperating broker as a third-party respondent. In either instance

the decision of the hearing panel as to procuring cause shall be conclusive with respect to all current or subsequent claims of the parties for compensation arising out of the underlying cooperative transaction. *(Adopted 1/97, Amended 1/07)*

3. Where a buyer or tenant representative is compensated by the buyer or tenant and, as a result, the listing broker reduces the commission owed by the seller or landlord and, subsequent to such actions, another cooperating broker claims to be the procuring cause of sale or lease. In such cases the complainant may name the first cooperating broker as respondent and arbitration may proceed without the listing broker being named as a respondent. Alternatively, if the complaint is brought against the listing broker, the listing broker may name the first cooperating broker as a third-party respondent. In either instance the decision of the hearing panel as to procuring cause shall be conclusive with respect to all current or subsequent claims of the parties for compensation arising out of the underlying cooperative transaction. *(Adopted 1/97)*
  4. Where two or more listing brokers claim entitlement to compensation pursuant to open listings with a seller or landlord who agrees to participate in arbitration (or who requests arbitration) and who agrees to be bound by the decision. In cases where one of the listing brokers has been compensated by the seller or landlord, the other listing broker, as complainant, may name the first listing broker as respondent and arbitration may proceed between the brokers. *(Adopted 1/97)*
  5. Where a buyer or tenant representative is compensated by the seller or landlord, and not by the listing broker, and the listing broker, as a result, reduces the commission owed by the seller or landlord and, subsequent to such actions, claims to be the procuring cause of sale or lease. In such cases arbitration shall be between the listing broker and the buyer or tenant representative and the amount in dispute is limited to the amount of the reduction of commission to which the listing broker agreed. *(Adopted 1/05)*
- Standard of Practice 17-5  
The obligation to arbitrate established in Article 17 includes disputes between REALTORS® (principals) in different states in instances where, absent an established inter-association arbitration agreement, the REALTOR® (principal) requesting arbitration agrees to submit to the jurisdiction of, travel to, participate in, and be bound by any resulting award rendered in arbitration conducted by the respondent(s) REALTOR®'s association, in instances where the respondent(s) REALTOR®'s association determines that an arbitrable issue exists. *(Adopted 1/07)*

## **Explanatory Notes**

The reader should be aware of the following policies which have been approved by the Board of Directors of the National Association:

In filing a charge of an alleged violation of the Code of Ethics by a REALTOR®, the charge must read as an alleged violation of one or more Articles of the Code. Standards of Practice may be cited in support of the charge.

The Standards of Practice serve to clarify the ethical obligations imposed by the various Articles and supplement, and do not substitute for, the Case Interpretations in Interpretations of the Code of Ethics.

Modifications to existing Standards of Practice and additional new Standards of Practice are approved from time to time. Readers are cautioned to ensure that the most recent publications are utilized.

**Case Studies** The Following Case studies are based on the Code of Ethics and Standards of Practice of the National Association of REALTORS®. Please read through the case studies and meditate on how you would handle each situation.

**Case Study 1: Based on Article One**

Purchasers brought action for fraud, rescission of contract and unjust enrichment against seller and seller's broker, who was not a member of a REALTOR® board. In reversing the decision of the Superior Court in favor of the seller and his broker, the Arizona Supreme Court stated: "It is immaterial as to whether the broker is a member of the National Association if it is established that this Association Code of Ethics is applicable to those in the real estate profession in this state." The court further noted that NAR's Code of Ethics "is regarded as the standard of conduct by real estate persons throughout the United States and shall be regarded as such in the State of Arizona." **Baker v. Leight**, 370 P.2d 268 (Ariz. 1962).

**Case study 2: Based on Article One**

Listing broker failed to convey to seller prospective buyer's willingness to make a full-price offer. This omission caused the seller to accept an offer from the listing broker's agent, who was acting for herself personally. The agent/purchaser had insider knowledge of the prospective buyer's original offer and of prospective buyer's determination that the property was undervalued. The majority found in favor of the listing broker, reasoning that the listing broker's disclosure of insider information to agent/purchaser was not unfair because: (i) listing broker's primary duty was to seller, and (ii) agent/purchaser had right to bid on property despite her insider knowledge. Judge Talmadge dissented, however, asserting that agent/purchaser should not be viewed in the same position as a stranger. In his thorough analysis of the duties the listing broker owed to the seller and the prospective buyer, Judge Talmadge relied equally on common law fiduciary duties, statutory duties created by Washington's Real Estate Brokers and Salespersons Act and the Preamble and Article

7 (Rev. Article 1) of NAR's Code of Ethics. **Sing v. John L. Scott, Inc.**, 948 P.2d 816 (Wash. 1997).

### **Case Study 3: Based on Article Three**

#### **Illinois Court of Appeal Upholds Board's Suspension of Member for Violating Code of Ethics**

In 1988 the Appellate Court of Illinois addressed the 90-day suspension of a Board member for Code of Ethics violations. The court held that the defendant had proper notice of the alleged ethics violations and that the Board's Code of Ethics was not vague. Barbara Cuchra (defendant) was a real estate agent at Lohman Brothers Real Estate. She was the listing agent for residential property located in Rock Island. In January 1984, the Francis family made an offer to purchase the property through Acuff, a real estate agent for Southtowne Realty. A few days later, the Ortega family made an offer to purchase the property through the defendant's co-agent, Frank Cuchra. However, the Ortega's offer did not state, as required, that it was a back-up offer to the Francises' offer. Both offers were contingent upon the buyers obtaining Illinois Housing Development Authority (IHDA) loan commitments. On February 1, 1984, IHDA held a lottery drawing to determine loan eligibility. The Ortegases immediately became eligible for a loan, while the Francises were placed on a stand-by list. A conflict arose as to which family was entitled to purchase the property. A meeting to resolve the dispute was held between the Ortegases, the Francises, the defendant, and Mizer (of Lohman Brothers). The Francises refused Mizer's request that they rescind their offer and purchase different property. Mizer also informed them that the defendant had learned earlier that day that they had become eligible for an IHDA loan. The Francises secured the necessary financing and eventually purchased the property. The Ortegases purchased a different home. Both the Ortegases and the Francises filed a complaint with the Board. The Board's Professional Standards Committee found that the defendant violated Articles 3 and 9 of the Code of, No. 3-87-0623 (Ill. App. Ct. July 13, 1988). [Note: This opinion was not published in an official reporter and therefore should not be cited as authority. Please consult counsel before relying on this opinion.] Ethics, and imposed a 90-day suspension. The defendant sued the Board, alleging that she did

not receive fair notice of the charges, and that both the complaint and Articles 3 and 9 of the Code were unduly vague. The circuit court granted the Board's request for declaratory relief. The defendant appealed. The Appellate Court of Illinois first addressed the notice claim, stating that courts may "annual expulsions from voluntary associations . . . when the expulsions are contrary to rudimentary due process or natural justice." The court also stated that "among other factors, rudimentary due process includes reasonable notice of the charges against the accused." The court found that the complaint received by the defendant specified the code violations of which she was accused. It also found that the attached correspondence of the Ortegas and Francises set forth, in detail, their grievances against the defendant. Thus, the court held that the defendant had notice of the charges against her. The Appellate Court of Illinois also addressed the vagueness issue. The court noted that the terms used in Articles 3 and 9, such as "unethical practices in real estate transactions" or "concealment of pertinent facts," were susceptible to common understanding and provide fair notice to the members of the Board. Thus, the court found that the articles were not unduly vague. The appellate court affirmed the circuit court judgment. **Rock Island County Board of REALTORS® v. Cuchra**

#### **Case Study 4: Based on Article Four**

Ohio Court Reviews Article 4 of NAR Code of Ethics

An Ohio corporation sold a property to a purchaser, but failed to inform her that the title to the property was in fact held by the president/shareholder of the corporation, who was a licensed real estate broker. Upon complaint by the purchaser, the Ohio Real Estate Commission suspended the broker's license for 30 days, finding that the broker had committed "misconduct" in violation of the Ohio Revised Code, Section 4735.18(A)(6). The Common Pleas Court affirmed the Commission's decision and the broker appealed. The Ohio Court of Appeals, in its analysis, defined "misconduct" under the Ohio Revised Code as unprofessional conduct involving a breach of duty prohibited by law or a professional code of ethics. Affirming the decision of the Common Pleas Court, the Court of Appeals noted that although the broker asserted that

his conduct was not expressly prohibited by any code of ethics, he had attached to his brief a copy of NAR's Code of Ethics, Article 13 (Rev. Article 4) of which provides that a REALTOR<sup>®</sup> who is selling property he owns "must reveal his ownership in writing to the purchaser." **Gentile v. Ohio Real Estate Commission**, 1998 WL 114466 (Ohio App. 9 Dist.). [Note: This opinion was not published in an official reporter and therefore should not be cited as authority. Please consult counsel before relying on this opinion.]

### **Case Study 5: Based on Article Five**

Broker made an offer on sellers' property during the time period when he knew the seller and a prospective buyer, represented by one of broker's Realtors<sup>®</sup>, were seriously negotiating for the same property. Broker's offer, while ultimately the same amount as the prospective buyer's offer, was deliberately designed to appear better to the sellers. In finding that the broker had interfered with a "contractual and otherwise advantageous relationship, the Massachusetts Appeals Court relied on: (i) Restatement (Second) of Torts, Sections 767 and 768(1)(b); (ii) Articles 7 (Rev. Article 1) and 12 (Rev. Article 5) of NAR's Code of Ethics ("to treat fairly all parties to the transaction" and not to "undertake to provide professional services concerning a property. . .where he has a present or contemplated interest unless such interest is disclosed to all affected parties.") **Dowd v. Iantosca**, 538 N.E.2d 33 (Mass. App. Ct. 1989).

### **Case Study 6: Based on Article 6**

Acceptance of Rebates from Contractors (Revised Case #16-4 May, 1988. Transferred to Article 6 November 1994.) REALTOR<sup>®</sup> A, who managed a 30-year-old apartment building for Client B, proposed a complete modernization plan for the building, obtained Client B's approval, and carried out the work. Shortly after completion of the work, Client B filed a complaint with the Board of REALTORS<sup>®</sup> charging REALTOR<sup>®</sup> A with unethical conduct for receiving rebates or "kickbacks" from the contractors who did the work. At the hearing, Client B presented written statements from the contractors to substantiate his charges. REALTOR<sup>®</sup> A defended himself by



stating that he had carried out all work involving the preparation of specifications, solicitation of bids, negotiations with the contractors, scheduling work, and supervising the improvement program; that he had presented all bids to the owner who had authorized acceptance of the most favorable bids; and that he and Client B had agreed on an appropriate fee for this service. REALTOR® A also presented comparative data to show that Client B had received good value for his money. After all of the contracts were signed and the work was under way, REALTOR® A found that his fee was inadequate for the time the work required; that he needed additional compensation but didn't want to add to his client's costs; and that when he explained his predicament to the contractors and asked for moderate rebates, they agreed. Questioning by panel members revealed that the contractors felt that since they were being asked for rebates by the man who would supervise their work, they felt that they had no choice but to agree.

### **Case Study 7: Based on Article 12**

Use of Deceptive Domain Name REALTOR® X, a principal broker in the firm XYZ, was technologically savvy and constantly looking for ways to use the Internet to promote his firm and drive additional traffic to his website. Being an early adapter to the Internet, he had registered, but not used, domain names that incorporated or played on the names of many of his competitors and their firms, including ABC, REALTORS®. REALTOR® X and his information technology staff concluded that one way to drive traffic to the firm's website would be to take advantage of the search engines commonly used by potential buyers and sellers. They realized that when potential buyers or sellers searched on key words like "real estate" or "REALTORS®" or on similar words, lists of domain names would appear, and that when consumers searched the Internet for ABC, REALTORS®, one of the domain names that might appear would be REALTOR® X's domain name abcrealtors.com. REALTOR® X decided to take advantage of the domain names that he had previously registered, and pointed several that used, in various ways, the names of his competitors, including "abcrealtors.com", to his site. In a matter of days, REALTOR® X learned that he had been charged with a violation of Article 12 of the Code of Ethics by REALTOR® A, the owner of ABC, REALTORS®, alleging that his

(REALTOR® X's) use of the domain name "abcrealtors.com" presented a false picture to potential buyers and sellers and others on the Internet. At the hearing, REALTOR® X defended himself indicating that, in his opinion, use of a domain name was not advertising or a "representation" to the public but simply a convenient way for Internet users to find relevant websites. Moreover, "When websurfers reach my home page, there is no question that it is my site since I clearly show XYZ's name-and our status as REALTORS®," he continued. "These complaints are just a lot of sour grapes from dinosaurs who aren't keeping up and who don't realize that on the Internet it's 'every man for himself". The hearing panel disagreed with REALTOR® X's justification, indicating that while his use of a domain name that employed another firm's name might not be precluded by law or regulation, it did not comply with the Code's higher duty to present a "true picture". REALTOR® X was found in violation of Article 12 presenting an untrue picture in his representation to the public.

### **Case Study 8: Based on Article 16**

REALTOR® A, a residential broker, had recently listed a home. REALTOR® A's marketing campaign included "open houses" on several consecutive weekends. One Sunday afternoon Buyer B came to the open house. REALTOR® A introduced herself to Buyer B and asked whether Buyer B was working with another broker. Buyer B responded that he was, in fact, exclusively represented but went on to add that he was quite familiar with the property as it had been previously owned by a close personal friend. REALTOR® A told Buyer B that she would be happy to show Buyer B through the home but reminded Buyer B that she represented seller and not Buyer B. After viewing the home, Buyer B indicated that he had pressing business travel plans, was seriously interested in the property, and requested REALTOR® A's assistance in preparing a purchase offer. REALTOR® A assisted Buyer B in filling out a standard form purchase contract and later that day presented the offer to the seller who accepted it. REALTOR® A was subsequently charged with violating Article 16 for dealing and negotiating with a party who had an exclusive relationship with another REALTOR® . At the hearing, REALTOR® A defended her actions noting that she had told Buyer B that she was the seller's exclusive agent and, as

such, would not and could not represent Buyer B's interests. She pointed out that it was only after Buyer B had insisted on writing a purchase offer without the assistance of his exclusive representative that REALTOR® A had agreed to do so. She concluded her defense noting that Standard of Practice 16-13 authorizes dealings with the client of another broker in cases where those dealings are initiated by the client.

These case studies show a common thread of the courts agreeing with the Code of Ethics. This agreement is not only with members of NAR but also with nonmembers. The one court mentioned that the Code was an industry standard so that it pertained to nonmembers as well as members as an industry standard. This court support of the Code shows the professionalism of REALTORS® and their dedication to maintaining such high standards for themselves and their industry. These standards are probably a higher bar for real estate practitioners than the standards set by most other professions for their fields. Local associations are given the task of enforcing the Code for their own members. Professional standard committees are made up of our peers and have the task of enforcement of these standards in all areas of our country. Our consistent commitment to these standards and the constant review best shows our professionalism by the fact that there are no federal laws governing our profession. Through this Code we have maintained our responsibility to represent the public in the purchase and sale of real estate in a most professional way. Continued commitment to ongoing review of these standards is of the utmost importance to maintain our industry standards.

For further information regarding this section check out the Tennessee Code and the Rules of the Tennessee Real Estate Commission at the below website

[www.regboards.tn.gov/TREC](http://www.regboards.tn.gov/TREC)

# QUIZ ONE

1. Ethics and law are different even though they run hand in hand in the professional world. Which of the following describe the difference?
  - A. Law is established by professional standards while ethics are established by government.
  - B. Ethics are established by professional standards while law is established by government.
  - C. Law and ethics are established by government bodies
  - D. Law and ethics are established by professional standards.
2. Which of the following is correct?
  - A. Laws are minimum standards.
  - B. Ethics are minimum standards.
  - C. Neither A or B
  - D. A is correct, B is incorrect.
3. Prior to Agency laws for real estate being established, the industry basic mode of operation was which of the following?
  - A. Pur artor ve.
  - B. Et al.
  - C. Caveat Emptor
  - D. Laws of descent
4. When in a situation that would require you to make a decision between ethical values and the law, which of the following is most correct?
  - A. Ethics are always higher than law so they should prevail.
  - B. A good agent will consider the situation and decide on which ethical reasoning practice best suits their needs.
  - C. Go by the standards that were in place when you first began your practice. They were good then and still should be the norm today.
  - D. None of the above.

5. Agent Alice showed a buyer 2 houses and both suited the buyer's needs. The only difference was the second home had a higher commission to the selling agent. When asked by the buyer which house she thought was best she quickly recommended the property. Which of the following stages of moral reasoning is Agent Alice most likely following?
  - A. Social contract
  - B. Universal ethical principles
  - C. Might make right
  - D. Look out for number one
6. Sales person Sam is back for the third time with a prospective buyer to the house on Elm Street. They have gone through the house again and are standing in the basement when the buyer asks Sam, "What do you think of this home?" Sam replies that he thinks it's a good choice even though there was a chalky white mark a few inches above the basement floor on the foundation walls. The buyer purchases the property and within a few months the basement floods. Which of the following is correct?
  - A. Sam should have told the buyer to have an inspection to determine if there was still a flooding issue in the basement.
  - B. Sam knew how much the buyers loved the house so he didn't want to get in the way of their dream house by mentioning a problem that probably had been fixed.
  - C. It is the buyer's responsibility to have everything checked so the agent would not have any liability.
  - D. None of the above.
7. Of the six general stages of moral reasoning which one would be the BEST to always consider first?
  - A. Stage one
  - B. Stage four
  - C. Stage six
  - D. There is no correct answer.
8. In decision-making, there is a process to follow to reach a final decision, the last step being evaluation. Which of the following do you think is the best path to follow if your original decision does not solve the problem?
  - A. Stick with your original decision to maintain your professional standards.
  - B. Further evaluation may be necessary but keep this private and make minor changes.
  - C. Further evaluation is necessary and change should be recommended from your original decision, and all

parties should be notified of your new recommendations.

D. None of the above.

9. Based on Case Study 2 (page 27) which standard of practice best concurs with the Judges' decision?
- A. Standard of practice 1-1
  - B. Standard of practice 1-2
  - C. Standard of practice 1-3
  - D. Standard of practice 1-4
10. The Appeals court referenced Article 4 of the Code of Ethics in their decision. In which of the following is Article 4 supported?
- A. Tennessee Real Estate Law §62.13.403(7)(A)
  - B. Rules of the Real Estate Commission 1260-02.01
  - C. Both the law and the rules
  - D. Neither the law nor the rules.
11. The Massachusetts Appeals Court relied on Article 5 of the Code of Ethics. Which of the following Tennessee laws supports the position of Article 5?
- A. §62.13.403(7)(B)
  - B. §62.13.405(a)
  - C. §62.13.404(3)(A)(iv)
  - D. None of the above
12. If you were on the hearing panel for Case Study 6, which of the following, based on Article 6, would you most likely pursue?
- A. Based on the information, the Realtor had the right to ask for additional funds from the subcontractors for his/her efforts on behalf of the client and to keep the costs down for said client.
  - B. Article 6 clearly shows misconduct by the Realtor.
  - C. The subcontractors had the opportunity to say "no" to the agent. Their free choice to pay clears the agent of any wrong doing.
  - D. The agent should have left a little 'play' in the contract to cover possible overruns such as this.

# UNIT TWO

## Ethical and Agency Relationships

The NAR Code of Ethics part one, **Duties to Clients and Customers**, goes hand in hand with the Agency laws and rules of the Tennessee Real Estate Commission. The Agency part (part four) of the law is discussed in part below.

### **What is an agency relationship?**

Agency is defined as a legal relationship in which one person, the agent, acts for and on behalf of another, the employer, otherwise known as the principal. The agency relationship is founded on an expressed or implied contract between the parties. Tennessee law requires a signed *bilateral contract* between the parties to create an agency relationship. Below are excerpts from the Tennessee Agency law portion of the Tennessee Code.

#### **62-13-401. Creation.**

A real estate licensee may provide real estate services to any party in a prospective transaction, with or without an agency relationship to one (1) or more parties to the transaction. Until such time as a licensee enters into a specific written agreement to establish an agency relationship with one (1) or more parties to a transaction, the licensee shall be considered a facilitator and shall not be considered an agent or advocate of any party to the transaction. An agency or subagency relationship shall not be assumed, implied or created without a written bilateral agreement that establishes the terms and conditions of the agency or subagency relationship. The negotiation and execution of either an exclusive agency listing agreement or an exclusive right to sell listing agreement with a prospective seller shall establish an agency relationship with the seller.

#### **62-13-405. Written disclosure.**

(a) If a licensee personally assists a prospective buyer or seller in the purchase or sale of a property and the buyer or seller is not represented by this or any other licensee, the licensee shall verbally disclose to the buyer or seller the

licensee's facilitator, agent, subagent or designated agent status in the transaction before any real estate services are provided. Known adverse facts about a property must also be disclosed under the laws governing residential property disclosure, compiled in title 66, chapter 5, part 2, but licensees shall not be obligated to discover or disclose latent defects in a property or to advise on matters outside the scope of their real estate license.

**(b)** The disclosure of agency status pursuant to subsection (a) must be confirmed in writing with an unrepresented buyer prior to the preparation of an offer to purchase. The disclosure of agency status must be confirmed in writing with an unrepresented seller prior to execution of a listing agreement or presentation of an offer to purchase, whichever comes first. Following delivery of the written disclosure, the licensee shall obtain a signed receipt for the disclosure from the party to whom it was provided. The signed receipt shall contain a statement acknowledging that the buyer or seller, as applicable, was informed that any complaints alleging a violation or violations of § 62-13-312 must be filed within the applicable statute of limitations for the violation set out in § 62-13-313(e). The acknowledgment shall also include the address and telephone number of the commission.

**(c)** The disclosure of agency or facilitator status, as provided in subsection (a), shall not be construed as or be considered a substitute for a written agreement to establish an agency relationship between the broker and a party to a transaction as referenced in § 62-13-406.

**(d)** Upon initial contact with any other licensee involved in the same prospective transaction, the licensee shall immediately disclose the licensee's role in the transaction, including any agency relationship, to this other licensee. If the licensee's role changes at any subsequent date, the licensee shall immediately notify any other licensees and any parties to the transaction relative to the change in status.

**(e)** Real estate transactions involving the transfer or lease of commercial properties, the transfer of property by public auction, the transfer of residential properties of more than four (4) units or the lease or rental of residential properties shall not be subject to the disclosure requirements of §§ 62-13-403, 62-13-404 and this section.

**HISTORY:** Acts 1995, ch. 246, § 7; 1996, ch. 772, §§ 8-11; 2006, ch. 776, § 3.

For example, if an owner requests you to list their property for sale, the contract would be created between the seller, the principal, and



the broker of your office, the agent. You would be a sub agent of your broker. A listing agreement would be considered an “express” agreement, expressed in writing. In Tennessee all agency verbal agreements in real estate transactions must be in writing to be enforceable, so, orally implied agreements really do not apply here in the state of Tennessee – so, **GET IT IN WRITING!** An agency relationship is one of trust and confidence between the two parties, a fiduciary relationship.

### **Why is agency law so important?**

Agency law identifies the “roles” of each person(s) in a transaction. A clear understanding of “your” *role* in a transaction will help you “act” efficiently and effectively for all parties involved.

The concept of agency gives the real estate agent his/her *identity* and the identity of the other parties involved, making the rights, the duties, and liabilities of all three parties expressed in plain sight for all to see: the principal, or employer; the agent, or broker; and a third party, the customer.

The National Association of Realtors® Code of Ethics describes the agency relationship this way:

***“When representing a buyer, seller, landlord, tenant, or other client as an agent, REALTORS® pledge themselves to protect and promote the interests of their client. This obligation of absolute fidelity to the client's interests is primary, but it does not relieve REALTORS® of their obligation to treat all parties to a transaction honestly and fairly. When serving a buyer, seller, landlord, tenant or other party in a non-agency capacity, REALTORS® remain obligated to treat all parties honestly.”(Article One)***

The National Association of Realtors® (NAR) has introduced the word “client”. In general terms, NAR is speaking about the principal. The first 9 articles of the Code of Ethics have to do with ‘Duties to Clients and Customers’. Clearly ethics and agency go hand in hand in our industry. A quick review of these 9 articles shows the following.

Article 1. ***Representing a party to a real estate transaction.*** Here Realtors® pledge their selves to protect and promote the interests of our client. This encompasses all real estate transactions and related activities; to not deliberately mislead; represent with full disclosure and informed consent; submit offers objectively and all offers until closing; preserve confidential information; consistently manage clients property and exercise due diligence. When entering into a listing contract we must advise the client of our company policies that even if compensated by one party we may represent another party in the transaction; and disclose the possibility of dual representation.

Article 2. *Avoid exaggeration, misrepresentation or concealment of pertinent facts relating the property.* Agent shall not be obligated to discover adverse facts that are reasonably apparent to someone with expertise in those areas required by their real estate licensing authority (TN law requires disclosure of all adverse facts); Realtors® shall not be parties to the naming of a false consideration in any documents; non-material factors expressly referenced in law or regulation are not considered ‘pertinent’ for purposes of article 2.

Article 3. *Realtors® shall cooperate with other brokers except when cooperation is not in the client’s best interest.* Realtors® acting in cooperating transactions may not assume the act of cooperation includes an offer of compensation; offers of compensation may not be modified after the submission of an offer by a cooperating agent without agreement of cooperation agent; listing Realtors® have the obligation to disclose the existence of dual or variable commission arrangements; subagents must promptly disclose all pertinent facts to the principal’s agent prior to as well as after a purchase or lease agreement is accepted; disclose the existence of accepted offers, including offers with unresolved contingencies; disclose their realtor

status when there is a personal interest; not misrepresent the availability of access to show or inspect a listed property; not provide access on terms other than those established by owner or listing broker; cooperate with other Realtors® when it is in the best interest of the seller or landlord.

*Article 4. Realtors® shall not acquire an interest in or buy or present offers from themselves, any immediate family members, their firms or member thereof or any entities in which they have any relationship without disclosing said relationship in writing.*

*Article 5. Shall not undertake or provide professional services concerning a property or its value where they have a present or contemplated interest unless such interest is specifically disclosed to all affected parties.*

*Article 6. Realtors® shall not accept any commission, rebate, or profit on expenditures made for their client without the client's knowledge and consent. Agent shall not recommend or suggest to a client or a customer the use of services of another organization or business in which they have a direct interest without disclosing said interest.*

*Article 7. In a transaction, Realtors® shall not accept compensation from more than one party, even if permitted by law, without disclosure to all parties and the informed consent of the parties.*

*Article 8. Realtors® shall keep in a special account in an appropriate financial institution, separated from their own funds, monies coming into their possession in trust for other persons, such as escrows, trust funds, client's monies and other like items.*

*Article 9. Realtors® for the protection of all parties, shall assure whenever possible that all agreements related to real estate transaction including, but not limited to, listing and representation agreements, purchase contracts, and leases are in writing in clear and understandable language expressing the specific terms, conditions, obligations and commitments of the parties. A copy of*

each agreement shall be furnished to each party to such agreements upon their signing or initialing; Realtors® shall use reasonable care to ensure that documents pertaining to real estate contracts are kept current; make reasonable efforts to explain the nature and disclose the specific terms of the contractual relationship being established prior to being agreed to by the parties.

The above is an abbreviated version of the first nine articles of the Code of ethics used for this portion of the course. All agents should take the time to read the complete Code for best comprehension of the full Code (starting on page 7 of this course). As stated earlier, the Code does stand side by side with the law and has been used as reference to uphold the law in many states.

## **Case studies based on the first nine articles of the Code of Ethics.**

### **Case #1-1(4): Fidelity to Client**

Client A contacted REALTOR® B to list a vacant lot. Client A said he had heard that similar lots in the vicinity had sold for about \$50,000 and thought he should be able to get a similar price. REALTOR® B stressed some minor disadvantages in location and grade of the lot, and said that the market for vacant lots was sluggish. He suggested listing at a price of \$32,500 and the client agreed.

In two weeks, REALTOR® B came to Client A with an offer at the listed price of \$32,500. The client raised some questions about it, pointing out that the offer had come in just two weeks after the property had been placed on the market which could be an indication that the lot was worth closer to \$50,000 than \$32,500. REALTOR® B strongly urged him to accept the offer, stating that because of the sluggish market, another offer might not develop for months and that the offer in hand simply vindicated REALTOR® B's own judgment as to pricing the lot. Client A finally agreed and the sale was made to Buyer C.

Two months later, Client A discovered the lot was no longer owned by Buyer C, but had been purchased by Buyer D at \$55,000. He investigated and found that Buyer C was a brother-in-law of REALTOR® B, and that Buyer C had acted on behalf of REALTOR® B in buying the property for \$32,500.

Client A outlined the facts in a complaint to the Board of REALTORS®, charging REALTOR® B with collusion in betrayal of a client's confidence and interests, and with failing to disclose that he was buying the property on his own behalf.

### **Case #2 1 (16): Obligation to Advise Client of Market Value**

REALTOR® A listed Client B's house at \$136,000. The house was sold to Buyer C, who met Client B at a cocktail party a month later and told him that he had just been offered \$148,000 for the house but declined the offer feeling that if he decided to sell, he could do considerably better.

On the basis of this information, Client B charged REALTOR® A with unethical conduct in not having advised him as to fair market value and pointing out that the offering price was considerably below market

value. The Board's Grievance Committee referred the complaint to the Professional Standards Committee for hearing.

The Hearing Panel reviewed the facts. At the time the listing contract was signed, REALTOR® A advised his client that he had not recently been active in the part of the city where the house was located and that before fixing the price definitely it might be well to have an appraisal made, but the client declined saying that he felt \$136,000 was a fair price.

REALTOR® A's defense was that he had indicated the desirability of an appraisal to determine a fair asking price; that he had indicated he was not active in the neighborhood where the home was located; and that while he had a feeling that the client might be placing a low price on his property, he felt his professional obligation to the client was discharged when he suggested having an appraisal made.

## **Case #3-1(18): REALTOR® Not Responsible for Legal Advice**

Client A listed a commercial property with REALTOR® B who sold it. Following the sale, Client A learned that his total tax position would have been more favorable if he had disposed of the property in a trade. He complained to the Board of REALTORS® against REALTOR® B stating that in connection with his listing of the property he had discussed his total tax position with REALTOR® B, and that REALTOR® B, in spite of his obligation under Article 1 of the Code of Ethics to "be informed regarding laws" had failed to advise him that a trade would be more to his advantage than a sale.

At the hearing, REALTOR® B defended his actions by stating that it was true that Client A had briefly outlined his total tax situation at the time he listed the property for sale. REALTOR® B advised that he had told Client A that sale of the listed property might result in unfavorable tax consequences and suggested that Client A consult an attorney. The client had not taken this advice.

After several weeks of advertising and showing the property, in the absence of a change of instructions from the client, the property was sold in accordance with the terms of the listing contract.

## **Case #4-1(23): Claims of Guaranteed Savings**

In response to REALTOR® A's advertisement, "Guaranteed Savings! Don't purchase without representation," Mr. and Mrs. B signed an exclusive buyer representation contract with REALTOR® A. After viewing several homes accompanied by REALTOR® A, Mr. and Mrs. B decided to make an offer on 1234 Hickory. The seller did not accept the offer. The listing broker explained to REALTOR® A that the sellers were well-situated, spent much of their time at their vacation home, and had determined not to accept anything other than the listed price. REALTOR® A, in turn, explained that to Mr. and Mrs. B. In response to their questions, he indicated that there appeared to be little point in making anything other than a full price offer but that he would be happy to continue to show them other properties. Mr. and Mrs. B responded that they were not interested in other properties and had decided to make a full price offer on the Hickory Street residence. They did and their offer was accepted.

Following closing, and after discussing their transaction with friends, they wrote a letter to the Board of REALTORS® indicating that while they were pleased with the service provided by REALTOR® A, they thought that his claim of "guaranteed savings" was an exaggeration. After obtaining and reviewing a copy of the Code of Ethics, they filed a formal complaint alleging that Article 1, as interpreted by Standard of Practice 1-4, had been violated.

At the hearing, REALTOR® A defended his advertisement on the basis that as a buyer's agent he was able to aggressively negotiate purchase agreements on behalf of his clients whereas the listing broker or subagents, with their loyalty to the seller, could not. He also indicated that, in many instances, his buyer clients paid less, often substantially less, than buyers dealing through listing brokers, subagents, or even through other buyer agents. However, in response to questioning by Mr. B's attorney, REALTOR® A acknowledged that, while savings were not uncommon, they were not ensured in every instance, particularly in cases where the seller was determined to receive full price. "But I offered to show them

other properties and, if we looked long enough, I am sure I could have found them a bargain,” offered REALTOR® A in his defense.

## **Case #5-2(2): Responsibility for Sales Associate’s Error**

REALTOR® A, a REALTOR® principal, was asked to list a neglected house that obviously needed a wide range of repairs. He strongly advised the owner that it would be to his advantage to put the house in good repair before offering it for sale, but the owner wanted it sold at once on an “as is” basis. REALTOR® A wrote a novel advertisement offering a “clunker” in poor condition as a challenge to an ambitious do-it-yourself hobbyist.

A few days later, Sales Associate B, who was not a Board member, from REALTOR® A’s office showed the house to a retired couple who liked the location and general features, and who had been attracted by the ad because the husband was looking forward to applying his “fix-up” hobby to improving a home. The sale was made. Shortly thereafter, REALTOR® A was charged by the buyer with having misrepresented the condition of the property.

REALTOR® A accompanied Sales Associate B to the hearing, armed with a copy of his candid advertisement. The hearing established that the buyer fully understood that the house was represented to be generally in poor condition, but that while inspecting the house with a view to needed repairs, Sales Associate B had commented that since the house was of concrete block and stucco construction, there would be no termite worries since termites could not enter that type of construction. Sales Associate B confirmed this and his belief that the statement was correct. However, after the sale was made, the buyer ripped out a sill to replace it and found it swarming with termites, with termite damage to floors in evidence. Further questioning established that there had been no evidence of termite infestation prior to the sale, and that the Sales Associate had volunteered an assurance that he thought was well grounded. REALTOR® A, prior to the conclusion of the hearing, offered to pay the cost of exterminating the building and the cost of lumber to repair termite damage in view of Sales Associate B’s failure to recommend a termite inspection, which was the usual and customary practice in this area. The complainant stated that this would satisfy him completely

## **Case #6-2(6): Misrepresentation**

REALTOR® A, a cooperating broker, had shown four houses to Buyer B, and Buyer B’s wife had asked to see one of them a second time. There was a third inspection, and a fourth. They seemed at the point of decision but said they would like to “sleep on it.” When there was no word the next day, REALTOR® A called. Buyer B said he was a bit hesitant on the price; that some transfers of executives in his company had been rumored; that this could affect him within the year; that he hesitated to buy at a price that might mean taking a loss if he should be transferred within a year.

REALTOR® A tried to reassure the prospect by telephone. Then he dictated a letter stating that the house was an exceptional bargain at the asking price and “our office guarantees to get your money out of it for you any time in the next year if you should need to sell.” Buyer B came in and signed the contract. Six months later, Buyer B came to REALTOR® A as a seller. He was being transferred. He would need to get his equity out of the house to be able to afford a purchase in the new community. REALTOR® A listed the house at the price Buyer B had paid for it. After a month there had been no offers. Buyer B reminded REALTOR® A of his written assurance that his office had guaranteed he would get his money out of the house within the year.

REALTOR® A explained that the market had become much less active and that Buyer B might have to reduce his price by \$10,000 to \$15,000 to attract a buyer. Whereupon, Buyer B filed a complaint with the Board of REALTORS® charging REALTOR® A with misrepresentation, exaggeration, and failure to make good a commitment. After examination of the complaint, the Grievance Committee referred it to the Professional Standards Committee for a hearing.

In response to questioning by the Hearing Panel, REALTOR® A admitted that he had written the letter to Buyer B in good faith and, at the time the letter was written, he had been certain that his office could obtain a price for the property that would ensure Buyer B was “getting his money out of the house.”

However, REALTOR® A explained that although he had held such an opinion in good faith, the market had softened and now the circumstances were different.

### **Case #7-3(4): Cooperation Not Mandatory**

Client A called on REALTOR® B to list a small commercial property. In stipulating the price at which he wished to list the property, Client A explained that he was aware that it was a relatively low price, but he wanted a quick sale and, he added, a higher price could benefit very little at that time because of certain tax considerations. He told REALTOR® B that a number of prospective buyers had spoken to him about the property within the past year. He gave their names to REALTOR® B and said he felt sure that among them there would be a ready buyer at the price. He told REALTOR® B that he wanted the property submitted to them first.

The next day, REALTOR® C, who had unsuccessfully solicited the listing and learned that the property was listed exclusively with REALTOR® B, called REALTOR® B to ask that he be accepted as a cooperating broker. REALTOR® B told REALTOR® C that because of unusual circumstances the best service to his client did not require cooperation; that a prospective buyer was at that time seriously considering the property; and that under the circumstances he preferred not to invite cooperation.

REALTOR® C complained to the Board of REALTORS® charging REALTOR® B with a violation of Article 3 by refusing to cooperate. Pursuant to the complaint a hearing was scheduled before a Hearing Panel of the Board's Professional Standards Committee.

During the hearing, REALTOR® B outlined fully the circumstances under which the property had been listed by him, and maintained that the interest of Client A would not be advanced by acceptance of cooperation by REALTOR® C.

### **Case #8-4(1): Disclosure When Buying on Own Account**

Client A consulted REALTOR® B about the value of a lot zoned for commercial use, saying that he would soon be leaving town and would probably want to sell it. REALTOR® B suggested an independent appraisal, which was arranged, and which resulted in a valuation of \$130,000. The property was listed with REALTOR® B at that price. Shortly thereafter, REALTOR® B received an offer of \$122,000 which he submitted to Client A, who rejected it. After the passage of four months, during which no further offers were received, Client A asked REALTOR® B if he would be willing to buy the lot himself. REALTOR® B on his own behalf, made an offer of \$118,000, which the client accepted. Months later Client A, on a return visit to the city, discovered that REALTOR® B had sold the lot for \$125,000 only three weeks after he had purchased it for \$118,000.

Client A complained to the Board of REALTORS® charging that REALTOR® B had taken advantage of him; that he had sought REALTOR® B's professional guidance and had depended on it; that he could not understand REALTOR® B's inability to obtain an offer of more than \$122,000 during a period of four months, in view of his obvious ability to obtain one at \$125,000 only three weeks after he became the owner of the lot; that possibly REALTOR® B had the \$125,000 offer at the time he bought the lot himself at \$118,000.

At the hearing, REALTOR® B introduced several letters from prospects that had been written while the property was listed with him, all expressing the opinion that the lot was overpriced. The buyer who purchased the lot for \$125,000 appeared at the hearing as a witness and affirmed that he never met REALTOR® B or discussed the lot with him prior to the date of REALTOR® B's purchase of the lot from Client A. Questioning by members of the Hearing Panel established that REALTOR® B had made it clear that his offer of \$118,000 in response to his client's proposal, was entirely on his own account.

### **Case #9-5(1): Contemplated Interest in Property Appraised**

Seller A and Buyer B were negotiating the sale of an apartment building, but couldn't agree on the price. Finally, they agreed that each would engage an appraiser and they would accept the average of the two appraisals as a fair price. Seller A engaged REALTOR® C as his appraiser, and Buyer B engaged

REALTOR® D. Both REALTORS® were informed of the agreement of the principals. The two appraisal reports were submitted. The principals averaged the two valuations and made the transaction at the price determined.

Six months later, it came to the attention of Seller A that REALTOR® C was managing the building that he had appraised. Upon making further inquiries he learned that REALTOR® C for several years had managed five other buildings owned by Buyer B, and that he had been Buyer B's property manager at the time he accepted the appraisal assignment from Seller A.

At this point Seller A engaged REALTOR® E to make an appraisal of the building he had sold to Buyer B. REALTOR® E's valuation was approximately 30% higher than that arrived at six months earlier by REALTOR® C.

These facts were set out in a complaint against REALTOR® C made by Seller A to the local Board of REALTORS®. The complaint charged that since REALTOR® C was an agent of Buyer B; since he managed all of Buyer B's properties; since he had become manager of the property he had appraised for Seller A in connection with a sale to Buyer B; and since he had not disclosed his relationship to Buyer B, he had acted unethically, and in the interest of his major client had placed an excessively low valuation on the property he had appraised for Seller A.

At the hearing, Seller A also brought in a witness who stated that he had heard Buyer B say that he had made a good buy in purchasing Seller A's building because Seller A's appraiser was his (Buyer B's) property manager.

Buyer B, appearing as a witness for REALTOR® C, disputed this and protested that he had paid a fair price. He substantiated REALTOR® C's statement that management of the building formerly owned by Seller A was never discussed between them until after it had been purchased by Buyer B.

## **Case #10-6(3): Management Responsibility in Relation to Manager's Enterprises**

REALTOR® A managed a large apartment building for his client, Owner B. After the building had been under his management for two years, REALTOR® A acquired a vacant site adjacent to the building and developed it as an automobile parking lot with monthly rates set at \$50. REALTOR® A advised Owner B of this action, feeling that it would be advantageous to the building, and Owner B indicated that he, too, felt this development was favorable to him.

Six months after opening his parking lot, REALTOR® A raised the monthly rate to \$100. When this came to the attention of Owner B, he filed a complaint against REALTOR® A with the Board of REALTORS charging that the parking rate increase represented an unethical attempt on the part of REALTOR® A to profit by Owner B's investment in the apartment building; that REALTOR® A should have raised rents in the building but had instead substituted the rent increase with an increased rate in his parking lot.

A hearing was called on the complaint before the Board's Professional Standards Committee. At the hearing, REALTOR® A presented data tabulating monthly parking rates in the general area of his enterprise, which showed that \$100 was the average prevailing rate for similar facilities in the area. He also presented information which showed that the rent charged in Owner B's building was relatively high in comparison with similar apartments in the area.

## **Case #11-7(1): Acceptance of Compensation From Buyer and Seller**

Buyer A engaged REALTOR® B to locate a small commercial property. Buyer A explained his exact specifications indicating that he did not wish to compromise. They agreed that if REALTOR® B could locate such a property within Buyer A's price range, he—the buyer—would pay a finder's fee to REALTOR® B.



Two weeks later, REALTOR® B called Buyer A to advise that Seller C had just listed a property with him that met all of Buyer A's specifications except that the listed price was a bit higher than Buyer A wanted to pay. Buyer A inspected the property and liked it, but said he would adhere to his original price range. REALTOR® B called Buyer A three days later to say that Seller C had agreed to sell at Buyer A's price. The sale was made and REALTOR® B collected a commission from Seller C and a finder's fee from Buyer A which was not disclosed to Seller C, REALTOR® B's client.

Several weeks later, Seller C learned about the finder's fee that REALTOR® B had collected from Buyer A and filed a complaint with the Board of REALTORS® charging REALTOR® B with duplicity and unprofessional conduct. The complaint specified that when REALTOR® B had presented Buyer A's offer at less than the listed price, he, the seller, was reluctant to accept it, but REALTOR® B had convinced him that the offer was a fair one and not likely to be improved upon in the current market; and that REALTOR® B had dwelt at length on certain disadvantageous features of the property in an attempt to promote acceptance of the offer. The complaint charged that REALTOR® B had actually been the agent of the buyer while holding himself out as the agent of the seller. Further, Seller C asserted that REALTOR® B had never mentioned that he was representing the buyer or intended to be compensated by the buyer.

At the hearing, REALTOR® B's defense was that he had served both buyer and seller faithfully; that he had not accepted Seller C's listing until after he had agreed to assist Buyer A in locating a property; and that in his judgment the listed price was excessive and the price actually paid was a fair price.

## **Case #12-8(1): Failure to Put Deposit in Separate Account**

REALTOR® A, a listing broker, obtained a signed offer to purchase, together with Buyer C's check for \$5,000 as an earnest money deposit. Buyer C's offer was subject to the sale of his current residence. REALTOR® A presented the offer to Seller B who accepted it. REALTOR® A then inadvertently deposited the earnest money check in his personal checking account. Since Buyer C's offer was contingent on the sale of his current home, Seller B's house remained on the market. A week later, REALTOR® A received another offer to purchase Seller B's house from another broker and presented it to the seller as a back-up offer. Buyer C was informed about this new offer and reluctantly concluded that he would be unable to waive the sale contingency or proceed with the purchase of Seller B's house. He then asked REALTOR® A for his \$5,000 check back. REALTOR® A explained that he had mistakenly deposited Buyer C's check in his personal bank account which had been attached since he received Buyer C's offer, and he was temporarily unable to refund the deposit to Buyer C.

Buyer C filed a complaint with the Board of REALTORS®, which was received by the Grievance Committee. The Grievance Committee concluded that the complaint warranted a hearing and referred it to the Professional Standards Committee. At hearing, REALTOR® A explained that his bank account had been unexpectedly attached following the loss of a civil suit which he was appealing; that his deposit of Buyer C's check in his personal account was a simple error in handling deposit slips; that he was arranging for the prompt release of his account; and that everything would be straightened out in three or four days, which should not be of great inconvenience to Buyer C.

# Quiz Two

1. Case #1: what is the proper finding?
  - A. Since the seller had agreed to the listed price and the buyer offered the listed price, the agent saw no harm in allowing the seller to accept the full price offer.
  - B. The seller acted on the professional opinion of the agent and therefore made his choice of selling price when signing the listing contract.
  - C. REALTOR® B had deceitfully used the guise of rendering professional service to a client in acting as a speculator; he had been unfaithful to the most basic principles of agency and allegiance to his client's interest
  - D. None of the above.
  
2. Case #2: what is your finding?
  - A. REALTOR® A should have referred the seller to an agent that was familiar with the market and not attempt to sell product she was not familiar with
  - B. REALTOR® A's defense was valid and she was not in violation of Article #1.
  - C. REALTOR® A is in violation of Article one. They should have done more investigation of the current values in the neighborhood before putting the property on the market.
  - D. None of the above.
  
3. Case #3: what is your finding?
  - A. Advising the client to consult an attorney had demonstrated REALTOR® B's attempt to protect the best interest of his client.
  - B. REALTOR® B should have made sure the client went to an attorney or a CPA before listing the property. The agent has a duty to be sure the sale would be the best avenue for the client to follow.
  - C. Neither is right
  - D. Both are right

4. Case #4: what is your finding?
  - A. REALTOR® A did all he could to get them a better deal but the buyers decided to pay full price for the property, therefore REALTOR® A is not in violation of the code.
  - B. REALTOR® guaranteed savings in his advertisement but did not save this buyer anything. He could have reduced his commission to assure the buyers of some savings.
  - C. The hearing panel disagreed with REALTOR® A, concluding that he had not been able to demonstrate savings in every case and found him guilty of a violation of Article 4.
  - D. None of the above.
  
5. Case #5: what is your finding?
  - A. The agent was not in violation of the code since termite problems are outside of the scope of her licensure.
  - B. Because REALTOR® A offered to pay for the damages and the replacement costs, the hearing should be dropped.
  - C. REALTOR® A was still responsible for the errors and misstatements of the sales associates affiliated with him. The Hearing Panel concluded that REALTOR® A was in violation of Article 2.
  - D. Both A and B are correct.
  
6. Case #6: what is your finding?
  - A. REALTOR® A, in good faith, based on his market knowledge made a reasonable statement at the time of the first sale. Because markets do vary it would not be reasonable for the buyer to expect REALTOR® A to be held to a statement a year later.
  - B. The hearing panel said the pertinent fact being considered was his written guarantee to Buyer and his current failure to make good on his written agreement.
  - C. REALTOR® A is liable and will have to pay the difference between the sales price and the promise of his letter.
  - D. Both A and C.
  
7. Case #7: what is your finding?
  - A. Realtor® C has the right to be able to show the property under the code.
  - B. Realtor® B has the right to withhold a listing for a stated time.
  - C. The panel concluded that this situation did not constitute a violation.
  - D. None of the above.

8. Case #8: what is your finding?
- A. REALTOR® B should have split the profit with the original seller since the second sale happened so quickly.
  - B. The complaint by the original seller is valid and the panel found in favor of the complainant.
  - C. REALTOR® B did not violate Article 4.
  - D. A and B are correct.
9. Case #9: what is your finding?
- A. The hearing board found that whether or not management of the building was discussed between Buyer B and REALTOR® C prior to its purchase by buyer B, REALTOR® C had a logically contemplated interest in it as a property manager in view of the fact that he had served as a property manager for all other properties owned by buyer B. In view of this contemplated interest, he was bound by terms of Article 5 to disclose this interest to his appraisal client Seller A. He had failed to do this, and so was found in violation of Article 5 of the Code of Ethics.
  - B. The hearing board found that whether or not management of the building was discussed between Buyer B and REALTOR® C prior to its purchase by buyer B, REALTOR® C had a logically contemplated interest in it as a property manager in view of the fact that he had served as a property manager for all other properties owned by buyer B. Since at the time Seller A chose REALTOR® C as his Appraiser of his own free will, it was his obligation to investigate any other relationships at this time. The panel found REALTOR® C not in violation of Article 5.
  - C. Neither A nor B is correct.
  - D. This case was referred to the Appraisal Board for their review since both REALTORS® were acting as appraisers at the time of the incident.

10. Case # 10: what is your finding?
- A. After careful review of the date, the hearing panel found REALTOR® B in violation of the Code of Ethics Article 6.
  - B. After careful review of the date, the hearing panel found REALTOR® B not in violation of the Code of Ethics Article 6.
  - C. After careful review of the date, the hearing panel found REALTOR® B should have shared the new revenues from the tenants in the building with the owner.
  - D. After careful review of the date, the hearing panel found REALTOR® B should have raised the rates of the tenants that used his parking lot on their apartment rent instead of the parking lot for his management client.
11. Case #11: what is your finding?
- A. REALTOR® B's services for the buyer were already in effect when the property was listed, so the services offered to both parties happened at separate times with different terms, so the panel did not find REALTOR® B in violation of the code.
  - B. REALTOR® B is in violation of Article 7 because he did not disclose that he was receiving compensation from both parties.
  - C. REALTOR® B was found by the panel in violation of Article 7 for representing both parties without first telling the parties of the dual representation.
  - D. Both B and C are correct.
12. Case #12: what is your finding?
- A. REALTOR® A was found in violation of Article 8
  - B. REALTOR® A was found in violation since he was going to get the money back in a few days and pass it on the Buyer B.
  - C. REALTOR® A is also in violation of Tennessee Real Estate law.
  - D. Both B and C.

## Appendix A

### Case studies actual findings

#### Case study #1

At a hearing before a panel of the Board's Professional Standards Committee, REALTOR® B's defense was that in his observation of real estate transactions there can be two legitimate prices of property—the price that a seller is willing to take in order to liquidate his investment, and the price that a buyer is willing to pay to acquire a property in which he is particularly interested. His position was that he saw no harm in bringing about a transaction to his own advantage in which the seller received a price that he was willing to take and the buyer paid a price that he was willing to pay. The Hearing Panel concluded that REALTOR® B had deceitfully used the guise of rendering professional service to a client in acting as a speculator; that he had been unfaithful to the most basic principles of agency and allegiance to his client's interest; and that he had violated Articles 1 and 4 of the Code of Ethics.

#### Case study #2

It was the finding of the Hearing Panel that REALTOR® A's defense was valid and that he was not in violation of Article 1.

#### Case study #3

The Hearing Panel concluded that advising the client to consult an attorney had demonstrated REALTOR® B's attempt to protect the best interest of his client; that in giving this advice REALTOR® B had fully discharged his obligation under Article 1; that a REALTOR® is not responsible for rendering legal advice beyond the advice that legal advice be sought when the client's interest requires it; and that REALTOR® B was not in violation of Article 1.

#### Case study #4

The Hearing Panel disagreed with REALTOR® A's reasoning, concluding that while savings might be possible, REALTOR® A had been unable to demonstrate them in every instance and that this guarantee of savings was misleading. Consequently, his advertisement was in violation of Article 1.

#### Case study #5

It was the Hearing Panel's view that while REALTOR® A's actions were commendable, and would be taken into account by the Hearing Panel, REALTOR® A was still responsible for the errors and misstatements of the sales associates affiliated with him. The Hearing Panel concluded that REALTOR® A was in violation of Article 2.

#### Case study #6

The Hearing Panel reminded REALTOR® A that the pertinent fact being considered was not his opinion at the time of the previous sale as compared to his opinion now, but rather his written “guarantee” to Buyer B and his current failure to make good his written commitment. It was the conclusion of the panel that REALTOR® A had engaged in misrepresentation and was in violation of Article 2.

#### Case study #7

The panel concluded that REALTOR® B’s reasons for not accepting cooperation in this instance were valid and that his action did not constitute a violation of Article 3.

#### Case Study #8

The panel concluded that since REALTOR® B’s own purchase was clearly understood by the client to be a purchase on his own account, and since the client’s suspicions of duplicity were proven to be unfounded, REALTOR® B had not violated Article 4 of the Code of Ethics.

#### Case study #9

It was concluded by the Hearing Panel that whether or not management of the building was discussed between Buyer B and REALTOR® C prior to its purchase by Buyer B, REALTOR® C had a logically contemplated interest in it as a property manager in view of the fact that he had served as property manager for all other properties owned by Buyer B. In view of this contemplated interest, he was bound by the terms of Article 5 to disclose this interest to his appraisal client, Seller A. He had failed to do this, and so was found in violation of Article 5 of the Code of Ethics.

#### Case study #10

After careful review of this data, the Hearing Panel concluded that REALTOR® A’s parking lot enterprise had involved no expenditure of Owner B’s funds; that his action in establishing this business had met with Owner B’s approval at the outset; that REALTOR® A’s exhibits demonstrated that there was no merit to Owner B’s contention that a justified rent increase had been shunted into an increase in parking rates; that Owner B’s interests had in no sense been betrayed; that the proximity of the parking area continued to be an asset to Owner B’s building; and that REALTOR® A was not in violation of Article 6.

#### Case study #11

A Hearing Panel of the Board’s Professional Standards Committee, which heard the complaint, concluded that REALTOR® B had acted in violation of Article 7 of the Code of Ethics. His efforts to represent the buyer and the seller at the same time, and the fact that he intended to be compensated by both parties, should have been fully disclosed to all parties in advance.

Case study #12

It was the conclusion of the Hearing Panel that REALTOR® A was in violation of Article 8 of the Code of Ethics for having failed to put Buyer C's earnest money deposit in a special account separate from his personal funds.



## Quiz One Answer Key

1. (B) page 1 preface 2<sup>nd</sup> para.
2. (D) page 2 para one.
3. (C) page 2 para four.
4. (D) page 2 para four.
5. (D) page 3
6. (A) page 3.
7. (D) page 3.
8. (C) page 4 process
9. (D) page 27 case study 2.
10. (A) page 29 case study 4.
11. (D) page 30 case study 5.
12. (B) page 30 case study 6.

## Quiz 2 Answer Key

1. C
2. B
3. A
4. C
5. C
6. C
7. C
8. C
9. A
10. D
11. D
12. D